Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

DRUG TRADE CLASS REVIEW

RX

• APRIL 18, 1994

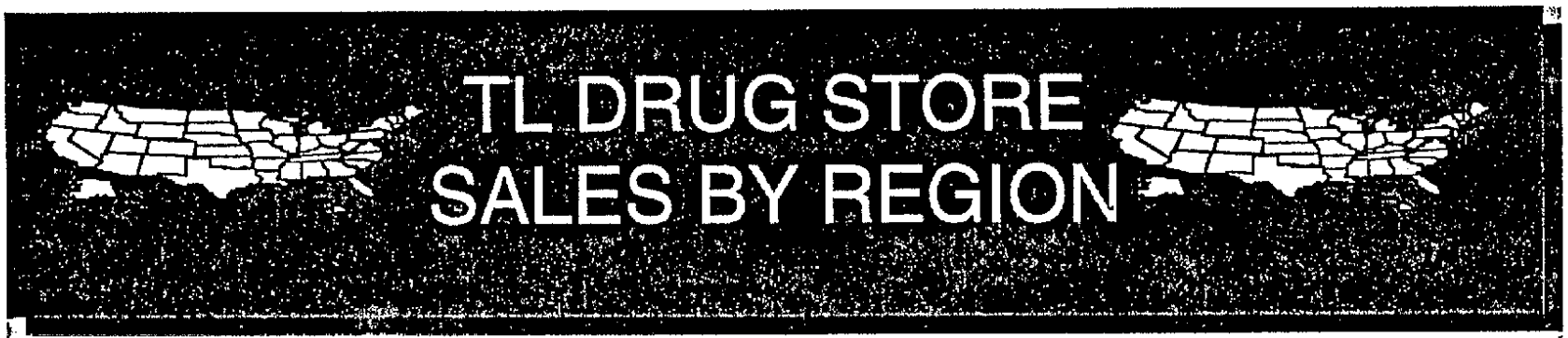
DRUG TRADE CLASS

- DEFINITION

  - RETAIL OUTLET PRIMARILY SELLING PRESCRIPTION MEDICINES, HEALTH & BEAUTY AIDS AND RELATED SUNDRIES.

CHAIN DRUG		4 OR MORE STORES
INDEPENDENT / LIMITED CHAIN		3 STORES W/ COMBINED SALES OF $20MM
NON DRUG PHARMACY		NON DRUG RETAILER W/ PHARMACY

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004



-	SALES ($/MM)	TL OUTLETS	% TL OUTLETS	% TL SALES
NEW ENGLAND	$4.3	2,895	5%	6%
MID ATLANTIC	13.5	9,865	18%	18%
SOUTHEAST	14.0	11,710	22%	19%
EAST CENTRAL	10.1	7,591	14%	13%
WEST CENTRAL	11.3	8,648	16%	15%
SOUTHWEST	6.3	6,221	12%	8%
PACIFIC	15.7	7,097	13%	21%
TL UNITED STATES	$75.2	54,027	100%	100%

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

Breakout of 1992 chain drug sales

Department	1992 total sales (In thousands)	1992 percent increase	Percent of total sales	% gross margins	Avg. turns
Prescriptions	$18,654,048	13.3%	36.2%	30-35%	6.5
OTC/Proprietaries	7,461,897	3.9	14.5	25-30	5.0
Toiletries	4,960,219	2.4	9.6	12-22	5.0
General merchandise	3,217,196	3.3	6.2	45-50	5.3
Tobacco	2,773,264	0.3	5.4	10-20	15.0
Stationery	2,607,223	5.4	5.1	40-50	4.5
Housewares	2,583,931	1.3	5.0	35-40	2.7
Cosmetics	2,364,026	2.8	4.6	35-45	2.3
Consumables	2,030,155	4.3	3.9	20-25	8.0
Photo/Video	2,028,778	2.6	3.9	15-20	5.2
Candy	1,780,648	4.0	3.5	25-30	8.0
Misc./Promotional	1,099,068	2.3	2.1	15-20	NA
Total	$51,560,451				

Source: 1993 *Drug Store News* industry survey.

- Primarily Prescriptions — 36% of sales
- Tobacco 5th largest Dept. — 9.6% of sales
  - Good Margins
  - Highest Turns

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

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10-year sales trends
(In millions)

Departments	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Prescriptions	$18,654	$16,464	$13,949	$12,189	$10,717	$9,426	$8,475	$7,669	$6,733	$5,927
OTC/proprietaries	7,462	7,146	6,381	5,948	5,362	4,882	4,468	4,087	3,595	3,201
Toiletries	4,960	4,843	4,468	4,134	3,770	3,436	3,230	3,047	2,742	2,457
Tobacco	2,773	2,766	2,564	2,476	2,364	2,279	2,205	2,127	1,979	1,806
Housewares	2, 584	2,551	2,458	2,411	2,245	2,083	2,003	1,676	1,606	1,497
Stationery	2,607	2,475	2,223	2,057	1,810	1,638	1,488	1,352	1,199	1,069
Cosmetics	2,364	2,299	2,122	1,998	1,834	1,715	1,605	1,481	1,352	1,205
General merchandise	3,217	3,115	2,895	2,801	2,579	2,023	1,902	2,117	2,009	1,859
Photo/video	2,029	1,977	1,873	1,746	1,547	1,425	1,294	1,235	1,114	1,001
Consumables	2,030	1,947	1,762	1,661	1,526	1,433	1,335	1,280	1,209	1,123
Candy	1,780	1,711	1,556	1,469	1,315	1,186	1,067	973	892	793
Misc./promotional	1,099	1,075	999	968	882	817	745	724	657	589

Source: *Drug Store News* 1993 survey of drug chains.

• Triple Digit growth has slowed

22,527

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

DRUG TRADE CLASS CONSUMER DEMOGRAPHICS

	TL DRUG	TL B&H	TL MERIT	TL PARL	TL V.S.
MALE	45	18	26	20	2
FEMALE	54	81	75	80	98
WHITE	84	83	96	88	84
BLACK	13	7	2	4	11
SPANISH SPEAKING	3	3	6	4	6
18-34	37	31	18	32	28
35+	61	70	82	68	72
MEDIAN AGE		51	44	45	45
UNDER $30K	43	34	36	43	26
$30K+	57	51	50	45	65
NO COLLEGE	61	40	22	52	36
SOME COLLEGE	23	60	60	46	65
NIELSEN A	43	60	40	47	61
NEILSEN B	32	31	40	37	26
NIELSEN C	13	7	18	12	12
NIELSEN D	12	3	1.8	8	1

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Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

Top 50 American drug chains: 1992 dollar volume

Rank	Company	Headquarters	Drug store sales (in millions)	Percent change	Store totals	Percent change	FY ends
1.	Walgreens	Deerfield, Ill.	$7,475	11.0%	1,736	5.5%	8/31/92
2.	American	Oak Brook, Ill.	4,002	7.5	741	9.0	1/31/93
3.	Eckerd	Clearwater, Fla.	3,877	3.3	1,692	– 0.1	1/30/93
4.	Rite Aid	Camp Hill, Pa.	3,834	8.6	2,573	4.9	2/27/93
5.	CVS	Woonsocket, R.I.	3,631	7.0	1,221	– 2.9	12/31/92
6.	Phar-Mor	Youngstown, Ohio	3,100	24.0	224	–10.4	6/30/92
7.	Longs	Walnut Creek, Calif.	2,475	5.0	274	3.0	1/28/93
8.	PayLess[1]	Wilsonville, Ore.	2,335	23.4	554	37.5	1/23/93
9.	Hook-SuperRx, Inc.[2]	Cincinnati, Ohio	2,100	7.0	1,200	10.0	8/31/92
10.	Revco	Twinsburg, Ohio	2,100	11.1	1,150	2.2	5/29/92
11.	Thrifty	Los Angeles	1,800	– 0.4	580	– 7.2	9/30/92
12.	Drug Emporium	Worthington, Ohio	1,481	1.7	231[3]	0	2/27/93
13.	Thrift	Pittsburgh, Pa.	1,400	10.6	548	2.2	1/31/93
14.	Fay's	Liverpool, N.Y.	815	6.5	244	– 3.2	1/30/93
15.	F&M	Warren, Mich.	740	10.0	116	11.5	1/31/93
16.	Medicine Shoppe	St. Louis	698	15.0	927	3.9	9/30/92
17.	Perry	Pontiac, Mich.	674	5.1	205	– 3.3	10/31/92
18.	Big B	Bessemer, Ala.	503	3.0	301	– 1.0	1/30/93
19.	K&B	New Orleans	489	9.6	171	0.6	9/30/92
20.	Arbor Drugs	Troy, Mich.	477	17.5	123	9.0	7/31/92
21.	Genovese	Melville, N.Y.	463	3.6	100	3.0	1/29/93
22.	Marc's	Middleburg, Ohio	410E	26.2	33	43.8	5/30/92
23.	Pic 'N Save	Jacksonville, Fla.	375E	0.5	38	0	12/1/92
24.	Reliable	Indianapolis	312	– 0.6	265	0	7/31/92
25.	Rockbottom	Port Washington, N.Y.	250	4.2	33	3.1	1/31/93
26.	Rx Place	New York, N.Y.	230E	15.0E	26	4.0	1/31/93
27.	Duane Reade	Long Island City, N.Y.	226	NA	37	– 2.6	12/31/92
28.	Discount Drug Mart	Medina, Ohio	222	12.5	34	6.3	3/31/93
29.	ALP/Freddy's	Rochester, N.Y.	215	– 1.4	37	– 2.6	9/30/92
30.	Super D	Memphis, Tenn.	201E	6.0	119	7.2	4/30/92
31.	Medi-Save[4]	Baton Rouge, La.	178E	14.1	115	1.8	5/31/93
32.	Harco	Northport, Ala.	173E	5.0	115	– 1.7	7/31/92
33.	Kerr	Raleigh, N.C.	170	11.0	93	1.0	6/30/92
34.	Pathmark[5]	Woodbridge, N.J.	165E	3.0	33	3.1	2/2/93
35.	Drug Fair	Somerville, N.J.	165	18.7	33	– 2.9	7/28/92
36.	Snyder	Minnetonka, Minn.	146	6.0	64	3.2	7/31/92
37.	A.D. Clark	Los Angeles	110	– 4.3	18	– 5.3	12/31/92
38.	LaVerdiere's	Winslow, Maine	110E	8.9	67	0	1/31/93
39.	Kinney Drugs	Gouverneur, N.Y.	108	14.5	36	9.0	12/31/92
40.	Bartell	Seattle	104	26.5	38	2.7	12/31/92
41.	Pharm-house	New York, N.Y.	101	16.6	16	14.3	1/31/93
42.	Thrifty/White	Minneapolis	95	– 7.7	46	– 4.2	4/30/92
43.	Happy Harry	Newark, Del.	90E	14.0E	26	0	2/28/93
44.	Standard	Richmond, Va.	85	2.0	62	3.3	3/31/93
45.	Taylor	Louisville, Ky.	82	–16.3	34	–19.0	4/30/92
46.	Douglas/Maxi Drug	N. Providence, R.I.	82E[6]	– 1.2	23	9.5	5/31/93
47.	Bill's	Benicia, Calif.	80	7.0	23	– 4.1	3/31/93
48.	Navarro	Miami, Fla.	79	1.3	6	0	12/31/92
49.	Drug Town	Chariton, Iowa	73	15.9	20	NA	9/30/93
50.	L.F. Widmann	Lock Haven, Pa.	70	9.4	130	14.0	1/31/93

[1] Includes acquisition of 126 Pay 'n Save stores.
[2] Includes 455 Hooks (of which 33 are home health care units), 391 SupeRx and 354 Brooks stores.
[3] Includes 132 company-owned stores and 99 franchised stores.
[4] Includes retail stores and institutional pharmacies, estimate for FY ended 5/31/93.
[5] Includes 137 food/drug Pathmark stores and 33 free-standing Pathmark drug stores.
[6] Projected for FY ended 5/31/93.
[7] Projected for FY ended 6/30/93.

Source: 1993 *Drug Store News* chain drug survey.

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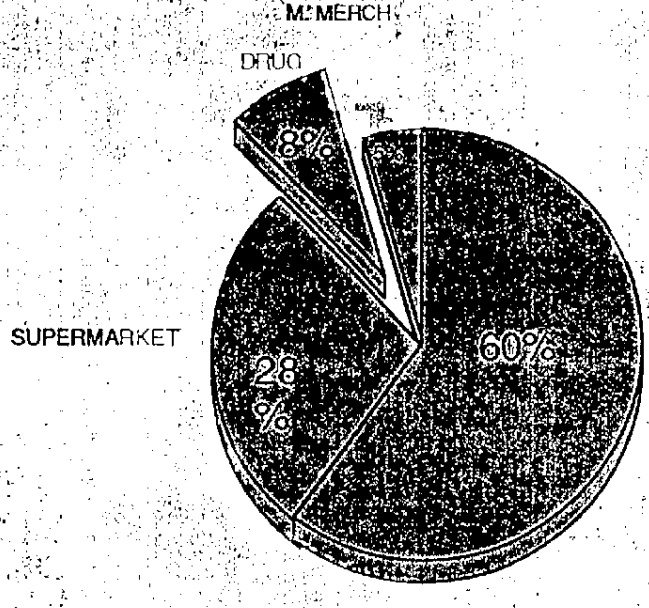
Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

DRUG TRADE CLASS COMPANY PERFORMANCE

	TL U.S. SHARE	CHNG VS YAGO		TL DRUG SHARE	CHNG VS YAGO
PM	45.4	3.7		43.2	3.7
RJR	30.0	-2.9		27.9	-5.5
B&W	10.3	-0.6		9.9	0.9
LIGGETT	1.9	-0.3		2.3	0.6
LORILLARD	6.3	0.4		8.7	0.9
AMERICAN	3.1	-0.2		8.0	-0.5
TL U.S.	100	NA		100	NA

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

CIGARETTE CATEGORY CHANNEL PERFORMANCE



- C-STORE
- SUPERMARKET
- DRUG
- M. MERCH

C-STORE

	CHNG VS YAGO
C-STORE	2.1
SUPERMARKET	-2.6
DRUG	0.4
M. MERCH	0.1

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

DRUG TRADE CLASS CIGARETTE CATEGORY PERFORMANCE

	TL U.S.		TL DRUG	
	SHARE	CHNG VS YAGO	SHARE	CHNG VS YAGO
PREMIUM	67.4	3.2	73.3	3.5
BRANDED DISCOUNT	25.0	-3.3	23.9	-2.1
PV LABEL	7.6	0.4	2.7	-1.4

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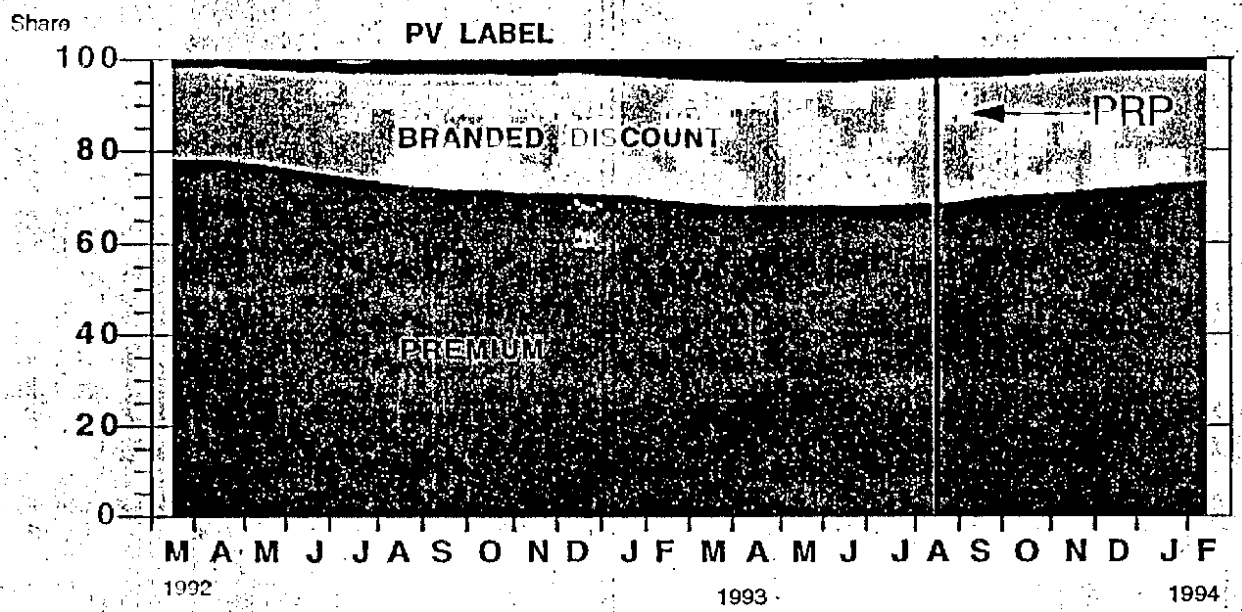
DRUG TRADE CLASS
CATEGORY SHARE PERFORMANCE



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DRUG TRADE CLASS PACKING PERFORMANCE

	TL U.S.	-	-	TL DRUG	-
LENGTH	% VOL	CHNG VS YAGO		% VOL	CHNG VS YAGO
KINGS	54.3	1.1		48.3	2.1
100'S	42.2	-0.8		46.1	-2.7
120'S	2.2	0.1		3.5	—
TAR LEVEL					
FULL FLAVOR	41.9	—		41.0	1.3
LOW TAR	44.1	1.0		41.5	-0.4
ULTRA LOW TAR	13.8	-0.8		16.6	-1.6

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

CIGARETTE PRICING
PACK & CARTON

	INDUSTRY			PM OPB	
	PACK	CARTON		PACK	CARTON
C-STORE	$1.74	$15.30		$1.84	$16.84
SUPMKTS	$1.79	$15.03		$1.93	$16.24
DRUG	$1.80	$15.46		$1.91	$16.55
M. MERCH	$1.76	$14.77		$1.86	$15.93
TL U.S.	$1.75	$15.10		$1.86	$16.34

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

DRUG TRADE CLASS
PM MERCHANDISING CONTRACTS

	TL STORES	TL CONTRACTS	RM-PACK	RM-CARTON	RA	OTHER
REGION 1	5,111	3,121	1,762	24	386	949
REGION 2	4,916	3,442	916	37	2,027	462
REGION 3	1,816	1,582	738	16	458	370
REGION 4	3,820	1,618	643	31	808	136
REGION 5	1,850	665	295	195	94	81
TL U.S.	17,515	10,428	4,354	303	3,773	1,773

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

OPB PERFORMANCE BY TRADE CLASS

	SHARE						INDEX				
	TL U.S.	SUPMKTS	DRUG	C-STORE	M. MERCH		TL U.S.	SUPMKTS	DRUG	C-STORE	M. MERCH
MERIT	2.93	3.32	3.46	2.68	2.86		100	114	118	92	98
B&H	2.57	2.86	3.90	2.25	2.89		100	111	152	88	112
V. SLIMS	2.93	3.57	4.23	2.36	4.15		100	123	145	81	142
PARLIAMENT	0.56	0.67	1.22	0.45	0.37		100	119	218	80	65
TL OPB	9.16	10.66	13.04	7.89	10.41		100	116	142	86	114
TL BASIC	4.55	4.09	3.38	5.11	1.91		100	90	74	112	42

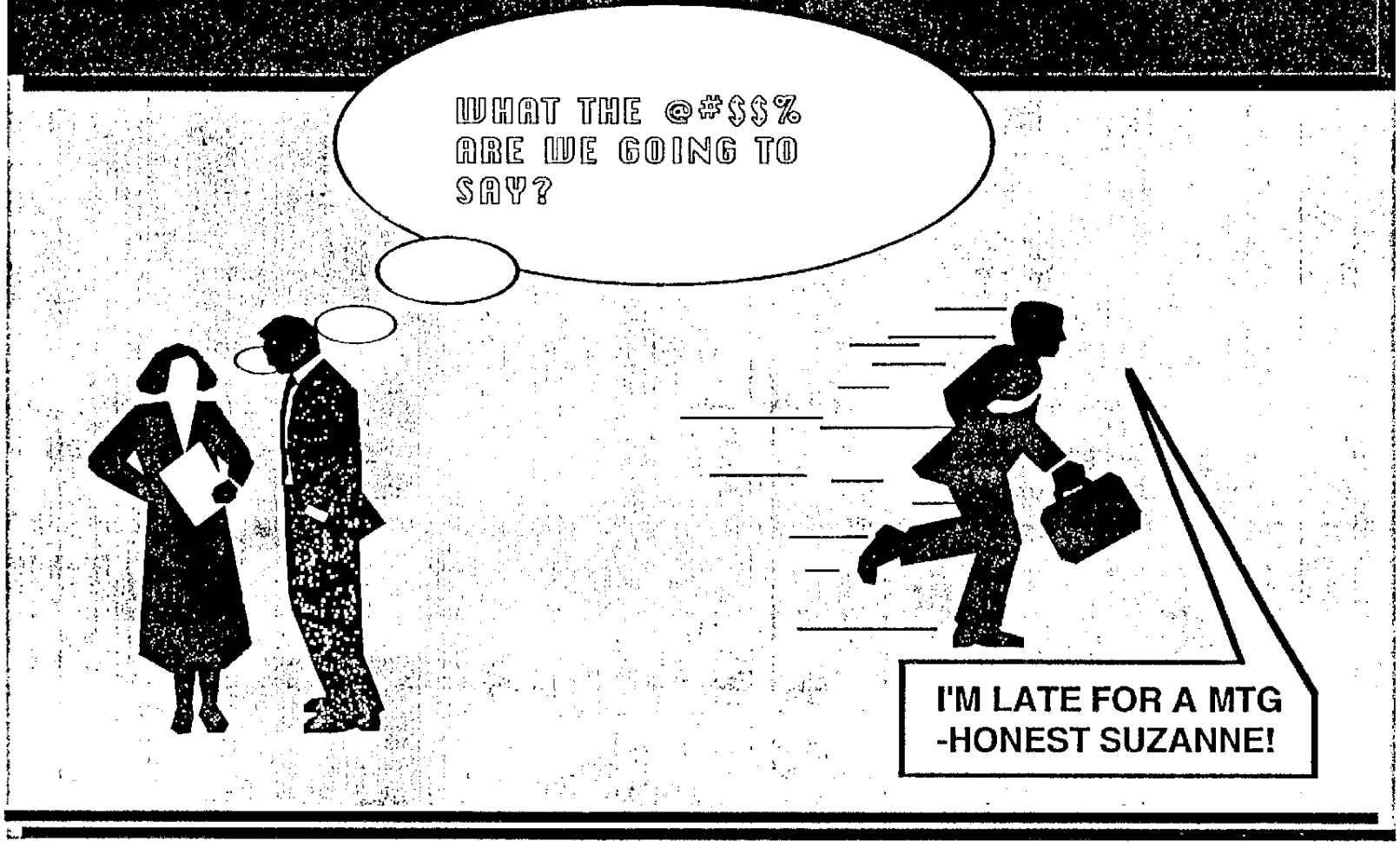
Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

DRUG TRADE CLASS
PM OPB % VOLUME CONTRIBUTION

	TL INDUSTRY	TL PM OPB	B&H	MERIT	PARLMENT	V. SLIMS
REGION 1	1.8	2.8	2.0	2.8	9.8	2.3
REGION 2	2.1	3.0	3.5	2.1	2.7	3.5
REGION 3	0.8	1.0	1.3	0.7	0.4	1.3
REGION 4	1.9	2.2	2.0	2.3	1.9	2.5
REGION 5	0.9	1.5	2.4	0.9	1.4	1.2
TL U.S.	7.5	10.6	11.3	8.8	16.3	10.8

Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

BRAINSTORMING



Source: https://www.industrydocuments.ucsf.edu/docs/ymjm0004

DRUG TRADE CLASS ISSUES

- Trade Class resistent to selling cigarettes
- Almost exclusively pack, non-self service
- Limited desire to promote.

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